PORTSMOUTH PORT DEVELOPMENT STUDY
FINAL REPORT

Prepared for:

OFFICE OF STATE PLANNING
STATE OF NEW HAMPSHIRE
2 1/2 BEACON STREET
CONCORD, NEW HAMPSHIRE 03301

Prepared by:

TEMPLE, BARKER & SLOANE, INC.
33 HAYDEN AVENUE
LEXINGTON, MASSACHUSETTS 02173

In Conjunction With:

SEAREACH
27 CONGRESS STREET
SALEM, MASSACHUSETTS 01970

June 30, 1986

PORTSMOUTH PORT DEVELOPMENT STUDY
FINAL REPORT

Prepared for:

OFFICE OF STATE PLANNING
STATE OF NEW HAMPSHIRE
2 1/2 BEACON STREET
CONCORD, NEW HAMPSHIRE 03301

Prepared by:

TEMPLE, BARKER & SLOANE, INC.
33 HAYDEN AVENUE
LEXINGTON, MASSACHUSETTS 02173

In Conjunction With:

SEAREACH
27 CONGRESS STREET
SALEM, MASSACHUSETTS 01970

The New Hampshire Coastal Program provided a grant for the preparation of this report which was funded in part by the CZMA of 1972 as amended as administered by the OCRM, NOAA.

June 30, 1986

CONTENTS

I. INTRODUCTION

- Temple, Barker & Sloane, Inc. (TBS), in conjunction with Seareach, was retained by the New Hampshire Office of State Planning to conduct a study of development options for the Portsmouth Port Region (PPR). The PPR encompasses the New Hampshire Piscataqua River waterfront from open ocean to the tank farms at Newington--a distance of 4.5 miles. The region includes the municipalities of Newcastle, Portsmouth, and Newington.

- The study scope encompassed the following five tasks:

  --Task I: Assessment

  --Task II: Preparation of Development Options

  --Task III: Detailed Evaluation of Selected Options

  --Task IV: Selection of Development Options

  --Task V: Preparation of an Implementation Plan

- The objective of the study was to identify the development option(s) that offered the greatest potential for meeting existing water-dependent demand on the PPR and enhancing economic growth.

- This report summarizes the materials and findings contained in each of the four interim task reports filed by TBS/Seareach. The report is organized into six chapters as follows:

  --I: Introduction

  --II: Overview of Activities Within the Portsmouth Port Region

  --III: Preparation and Selection of Development Options

  --IV: Evaluation of Selected Options

  --V: Implementation Plans

  --VI: Recommendations

II. OVERVIEW OF ACTIVITIES WITHIN THE PORTSMOUTH PORT REGION

This chapter is organized into four sections as follows:

- Profile of the Portsmouth Port Region (PPR)
- Activity at the Port Authority State Pier
- Strengths and Weaknesses of the State Port Authority
- Summary

PROFILE OF THE PPR

Marine Cargo Activities

- Major commercial marine facilities located along the New Hampshire side of the Piscataqua River are shown in Figure II-1.

- Eight major industrial users are located along the Piscataqua River. They are: C. H. Sprague, New England Tank & Fuel Storage Corporation, Simplex Wire and Cable, Public Service Company of New Hampshire, National Gypsum, John T. Clark (State Pier), Granite State Minerals, and Portsmouth Navigation. In total, these firms employ an estimated 770 workers in these operations, excluding ancillary truckers and outside vendors.

Marine Cargo Activities (continued)

- Commercial marine facilities operated by these users include four petroleum terminals, one general cargo terminal, two dry bulk terminals, a specialty terminal, two cruise line docks, the State Fish Pier, and facilities for berthing tugboats and environmental research vessels. Several of the terminals serve more than one user.

- With the exception of the State Port Authority and Fish Piers, the private sector controls all industrial facilities.

- Five terminals, serving multiple users, handle petroleum products in the Port of Portsmouth. This includes partial use of the National Gypsum terminal by Northeast Petroleum. Assuming 30 percent dedication of the National Gypsum terminal to petroleum handling, annual capacity of the PPR for handling petroleum and petroleum products is estimated to be 6.8 million tons. This capacity is considered to be adequate to accommodate the PPR's anticipated demand for petroleum-based products.

- The Granite State Mineral Company and National Gypsum Company wharves handle dry bulk salt and gypsum, respectively. Granite State uses mobile cranes for unloading vessels while National Gypsum relies on self-unloading vessels. Granite State is constrained by land availability at the terminal. National Gypsum could resolve any potential constraint on available land through vessel and production scheduling. Annual capacity for dry bulk commodities in the Port of Portsmouth is estimated at approximately 750,000 tons. This capacity is considered ample to accommodate anticipated volumes, although capacity at the Granite State Minerals facility could become a constraint.

Non-Marine Cargo Activities

- Non-cargo activities were separated into two types--water-dependent and water-enhanced. Recreational boating, commercial fishing, tourboat activity, and party boat activity are water-dependent since without a water resource, such as a river or ocean, they would not exist. Water-enhanced activities are those whose operations significantly benefit from a water resource, but whose existence is not contingent on a direct relationship with the water resource. Examples of water-enhanced activities are the tourist industry and the general residential, retail, commercial activity along the waterfront.

Water-Dependent Activities: Fishing

- Commercial fishing, including lobstering, is a major water-dependent activity in the PPR.

- Approximately 85 percent of the finfish and 40 percent of the lobsters landed in the State are landed in the PPR. Approximately 150 fishermen, 100 to 120 crew members, and 120 lobstermen fish out of the New Hampshire side of the river on a full-time basis.

- Much of the fishing activity, excluding lobstering, that occurs within the PPR is accommodated at the State Fish Pier. While a half dozen lobster boats in the Piscataqua River utilize the State Pier, the majority of the vessels land their catch at private docks or at takeout locations connected with retail/wholesale outlets.

- The closing of the American Trawler facility and potential growth of the New Hampshire fishing industry could lead to unfulfilled demand for fish landing facilities.

Water-Dependent Activities: Recreation

- Although New Hampshire has only 18 miles of coastline, the coastal area has become the focus for an active water-based recreation area for southern New Hampshire, southern Maine, and northern Massachusetts residents.

- Both Rye and the Hampton/Seabrook areas are popular recreational boating areas. Because of the strong current and tidal conditions on the Piscataqua River, restricted access because of bridge conditions, and a general lack of public facilities, most of the river's boating activity occurs in the backchannel area of Newcastle or in Pepperill Cove in Kittery, Maine.

- The waiting lists for slips and moorings in the PPR and Kittery, are 142 and 200, respectively. Because additional facilities are not being developed to meet this demand (at least to a significant degree), the waiting lists have remained relatively static. Boaters typically wait four to six years to be assigned a mooring.

Water-Dependent Activity: Tourboats

- Currently, two tourboat services are located in the PPR--Viking Cruises and Portsmouth Harbor Cruises. Viking Cruises (Viking of Yarmouth, Inc.) offers inland cruises along the Piscataqua River Basin, short ocean cruises to the Isles of Shoals off the coast, and feeder services to the Shoals Marine Laboratory and Star Island conference facilities, both of which are located on the Isles of Shoals.

- Additional water-dependent activities within the PPR include visits by Tall Ships and U.S. and foreign naval vessels, the Prescott Park "gundalow," and sailboat charters.

Water-Enhanced Activity

- While the tourist industry is not directly dependent on the PPR's water resources, tourist activities are enhanced by the presence of these water resources. The current location of water-enhanced tourist attractions, such as the Strawberry Banke settlement, are important factors in the economic composition of the PPR's waterfront.

- Major tourist activities benefitting from Portsmouth's waterfront include:

  --Strawberry Banke settlement, located on the waterfront behind Prescott Park

  --Prescott Park

  --Theater by the Sea

  --Children's Museum

  --Market Square Day Festival

  --The Prescott Park Art Festival

ACTIVITY AT THE PORT AUTHORITY STATE PIER

- The New Hampshire State Port Authority facility is the principal general cargo terminal in the PPR, handling scrap metal, lumber, containers, and miscellaneous general cargoes. The terminal is operated by John T. Clark and Son Stevedores under a 20-year lease with the New Hampshire State Port Authority. The facility encompasses one berth, two transit sheds with a total of 50,000 square feet of covered space, and approximately 10 acres of open storage space. Mobile cranes and forklift trucks are used for for loading/discharging cargoes. The terminal is served by rail (Boston & Maine) and has excellent highway connections to route I-95.

ACTIVITY AT THE PORT AUTHORITY STATE PIER (continued)

- Iron and steel scrap and containerized general cargo are the major cargoes handled at the State Pier. The exporting of steel scrap is the dominant activity at the facility. Historically, scrap shipments have approximated 150,000 short tons per year shipped.

- Containerized general cargoes are handled on a weekly basis by the Yankee Clipper, a small container ship operated by Hapag-Lloyd. Hapag-Lloyd uses this vessel to feed New England container cargoes to/from its Canadian-Transatlantic linehaul vessels at Halifax. The Yankee Clipper calls Boston on Wednesdays and Portsmouth on Thursdays, then returns to Halifax where it links up with the Transatlantic linehaul services.

- Imports of beer, wine, and spirits for the Maine Liquor Commission and exports of general merchandise are the principal containerized cargoes handled at the State Pier.

- The State Pier facility also handles other miscellaneous cargoes, lumber being the major one.

- Cargo tonnage has grown significantly during the seven-year period for which data is available (see Exhibit II-1). Scrap metal exports are now double the 1978 level. Container cargoes have varied from 7,793 to 24,305 short tons during the period while other cargoes have ranged from 2,626 to 55,864 short tons.

Financial Performance

- The Port Authority incurred losses for fiscal years 1979-1982 as shown in Exhibit II-2. A restructuring of John T. Clark's terminal lease arrangement, an increase in mooring revenues, and a reduction in debt service obligations resulted in profitability in fiscal years 1983 and 1984.

- The financial performance of the Port Authority during FYs 1985 and 1986 is expected to continue to improve due to increased scrap exports and the signing of a new lease with Viking Cruises covering the period 1986 to 1992. In addition, negotiation of a new base rent with the John T. Clark Company for the period 1987 to 1992 should further improve financial performance.

STRENGTHS AND WEAKNESSES OF THE STATE PORT AUTHORITY

Strengths

- The principal advantages of the Port Authority facility in competing for containerized cargoes are the specialized service the Port Community can offer, ease of access to and from the Port Authority Pier for delivering and receiving cargoes, competitive service frequencies and transit times to and from the United Kingdom and Continent, and the existence of a foreign trade zone. Because the Port Authority is small compared to Boston, New York, and Montreal, it can offer immediate individual attention to shippers. The unrestricted access the Port Authority Pier offers to trucks and the proximity to the interstate highway system are major advantages vis-a-vis Boston, New York, and Montreal.

Strengths (continued)

- Hapag-Lloyd's service to the UK/Continent via Halifax provides competitive service frequencies and transit times between New York, Boston and Montreal and the United Kingdom and the Continent, particularly for export shipments. These factors were cited as the second most important criterion by shippers for choosing ports in the 1983 Shipper survey conducted by Reebie Associates.[1]

- The Port Authority's ability to operate a foreign trade zone represents a long-term marketing tool for attracting additional cargoes through the Port Authority's facility. The foreign trade zone has the potential to offer shippers savings in terms of duties and inventory costs. The initial efforts of the Port Authority's marketing person have focused on establishing and marketing the foreign trade zone.

- With the closing of the Schiavone & Sons scrap terminal in Boston, Portsmouth has become the major New England gateway for scrap exports. Portland, Maine, is land constrained, and therefore its ability to handle scrap is limited. Increasing competition for diversified waterfront development and the growth of containerized cargoes has drastically reduced the amount of land available for handling scrap in Boston. Consequently, Providence is the only alternative gateway to Portsmouth, and Providence's distance from the scrap-generating areas--northeastern Massachusetts, Vermont, New Hampshire, and Maine--limits its ability to compete for these cargoes.

---

[1] Portsmouth Port Marketing Survey and Strategy Study, Reebie Associates, 1983.

Strengths (continued)

- The longshore labor force employed at the State Pier is productive and cooperative. Interviews with the Port Authority staff, John T. Clark, and Hapag-Lloyd have all indicated that the longshore workforce achieves good productivity in handling scrap and container cargoes and that they have demonstrated a high degree of flexibility in shipside and terminal cargo handling operations.

- The existence of a productive, flexible labor force is critical to the competitiveness of the State Pier operation, particularly in regard to Portland which employs lower cost, non-union labor.

Weaknesses

Physical Constraints

- The major physical constraint to increasing cargo through the Port Authority facility is the lack of a second berth. This constrains the Port Authority and John T. Clark from guaranteeing berth availability to new lines or accounts potentially interested in using the Port Authority facility. From the ship operator's perspective, the potential for incurring significant delays at a port due to the lack of a berth is a major criterion in evaluating what ports to call.

- A second constraint to increasing throughput at the Port Authority facility is terminal storage. The near doubling of scrap shipments since the closure of the Schiavone terminal in Boston, combined with ongoing containerized cargo activities, has resulted in little room for accommodating additional activity. In the short-term, terminal capacity constraints could be alleviated by using off-dock storage for containers, assuming vacant land could be located.

Economic Constraints

- The principal economic constraint to increasing containerized cargoes through the Port Authority facility is the current intermodal rate structure in ocean shipping. The introduction of door to door intermodal rates, service contracts, the deployment of larger vessels, and the formation of load centers have all served to shift control of cargo routing decisions from shippers to ocean carriers and freight forwarders. In their desire to lower costs in response to declining freight rates, carriers are constantly seeking economies of scale. Such actions result in the funneling of cargoes through a selected number of ports in order to increase utilization and lower fixed costs. The net result has been the introduction of ocean freight rates that are "port blind," i.e., a New England shipper pays the same rate whether his cargo is shipped via New York, Boston, or Portsmouth.

- Compounding the problems posed by port blind rates is the lack of high volume shippers within the State of New Hampshire. The New Hampshire market, with the exception of the State Liquor Commission and possibly one or two others--comprises a large number of small volume shippers. This makes it difficult to generate sufficient volumes through the Port Authority to attract additional ocean services. To date, the volumes have been only marginally attractive to the existing Hapag-Lloyd feeder service. Because the New Hampshire market is relatively small, individual shippers are potentially better off using the services of a forwarder/consolidator, who can pool multiple shipments, to achieve lower rates than routing via Portsmouth and Hapag-Lloyd.

- An additional economic constraint is the lack of non-conference service via Portsmouth. Traditionaly, non-conference carriers have provided comparable service to conference carriers at discounts of 10 percent to 15 percent. The availability of non-conference service via Montreal and New York, is a further attraction to routing cargoes via these gateways as evidenced by the success of Cast Line in New England.

Market Constraints

- The principal market constraint is the fact that direct ocean carrier service via Portsmouth is limited to the United Kingdom/Continent via Hapag-Lloyd. New Hampshire shippers desiring to ship to and from the Mediterranean, the Middle East, Africa, or South America must route their cargoes via Boston, New York, or Montreal or transship via Rotterdam. The latter choice involves increased transit times and costs.

- A second market constraint is lack of competition, perceived or actual, in Portsmouth. Portsmouth has one stevedore, one towing company, and one ocean carrier. This situation suggests that market pressures to keep rates low does not exist, as pointed out by several interests interviewed by TBS. This perception, whether correct or not, can only be dismissed through active marketing efforts by the Portsmouth Port Community (the Port Authority Board and its staff, John T. Clark, Portsmouth Navigation, etc.).

Institutional Constraints

- The major institutional constraints to attracting additional cargoes through the Port Authority facility have been the lack of financial support from the State and the terminal lease. Historically, the Port Authority has not had a marketing director, nor have adequate funds been provided to fulfill the Authority's mission "to foster and stimulate commerce and the shipment of freight through the State's ports."

- Evidence of the lack of marketing surfaced during the 1983 shipper survey conducted by Reebie Associates. The survey found a very real need to "image-build" Portsmouth among New Hampshire shippers. Comments regarding the lack of container handling capabilities and reliable feedership services amplify the problem.

Institutional Constraints (continued)

- The State has recently taken a major step to eliminate this constraint by having a full-time marketing person. The individual selected has broad experience in the business of foreign trade which should enhance the effectiveness of the Port's marketing efforts.

- The terminal lease grants the John T. Clark Company exclusive control, including pricing, of the State Pier facility. The expansion or diversification of activities at the facility can only be accomplished with the cooperation of the John T. Clark Company. Interviews conducted by the consultants and the consultants' own experience have indicated that such cooperation has not always been forthcoming.

SUMMARY

- The PPR accommodates a large number of diverse, water-related activities. These activities range from water-dependent industrial activities to water-enhanced tourist activities. In total, these activities account for a substantial portion of total employment within the PPR and have a significant economic impact on the region.

- The New Hampshire State Port Authority facility represents the only public marine facility within the PPR. Historically, its primary function has been to handle New England's scrap metal exports and containerized general merchandise imports.

SUMMARY (continued)

- Cargo-handling activities at the State Pier facility have more than doubled during the past seven years. This increase in activity, together with increased lease payments and escalations in other fees, has resulted in profitable operation of the facility. The profitability of the facility is expected to continue to improve due to a doubling of scrap shipments, the signing of a new five-year lease with Viking Cruises, and negotiation of a new base rent with the John T. Clark Company during 1987.

- The State Pier facility possesses a number of strengths in competing for New England cargoes. These strengths include:

  --Specialized, individual service

  --Ease of access

  --Competitive ocean service and transit times between New England and the United Kingdom and Continent

  --Bulk cargo-handling capability

  --Productive labor force

  --Foreign trade zone

SUMMARY (continued)

- However, the State Pier facility faces a number of constraints in competing for New England cargoes. These constraints include:

  --Physical: The lack of a second berth and terminal storage constrain the ability to contract new ocean services and expand and diversify activities at the facility.

  --Economic: Intermodal pricing structures have shifted control of the cargo routing decision from the shipper to the ocean carrier and led to the institution of "port blind" rates which offer shippers the same rate, regardless of which port the cargo moves through.

  --Market: Direct ocean service via Portsmouth is restricted to the United Kingdom and Continent. Shippers moving goods between New England and other world areas must either have their goods transshipped in Europe or route them via another port. The market served by the state pier facility, with few exceptions, comprises many small-volume shippers. This composition limits the ability of the Port Authority Board and its staff to attract additional ocean services and obtain competitive, volume incentive rates.

  --Institutional: A historical lack of financial support, particularly as it relates to marketing, on the part of the State of New Hampshire, combined with a terminal lease that grants exclusive control of the State Pier to the lessee, constrains the Port Authority Board and its staff's ability to effectively market the facility.

- Before the Port Authority Board and its staff can expand and diversify operations at the State Pier, it must first expand the facility. The present berth and terminal capacity constraints preclude the attraction of any new business.

SUMMARY (continued)

- In pursuing new business, the Port Authority Board and its staff need to pursue a niche strategy, i.e., serving those customers and needs within the PPR and central New England area. Portsmouth cannot compete with Montreal, Boston, and New York for a majority of the New England container market given the nature of the New England market, ocean carrier pricing strategies, and the limited ocean service available to Portsmouth.

- It is within the context of the strengths and constraints of the Port Authority facility and activities within the PPR that alternative development options were prepared.

Figure II-1

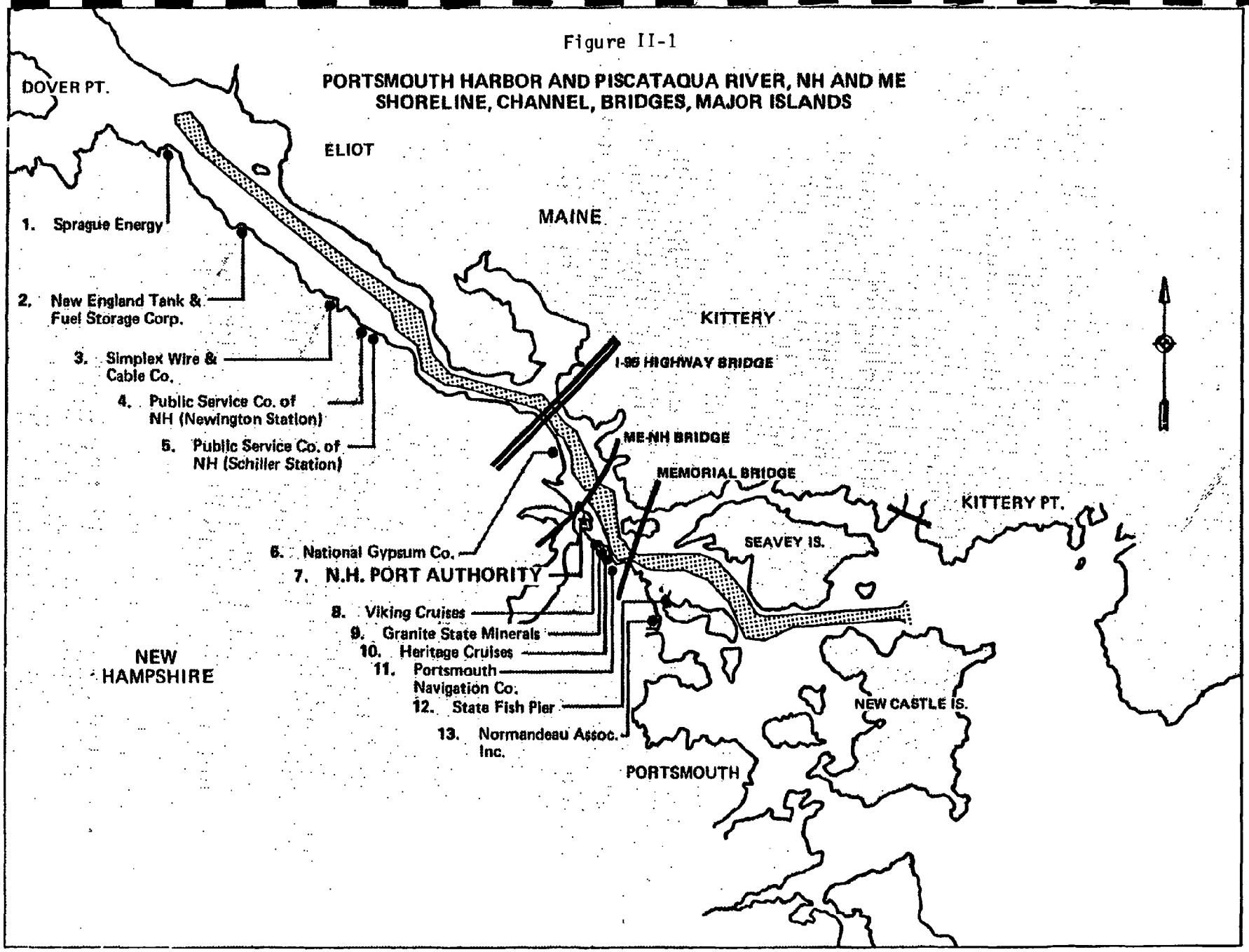
PORTSMOUTH HARBOR AND PISCATAQUA RIVER, NH AND ME
SHORELINE, CHANNEL, BRIDGES, MAJOR ISLANDS
DOVER PT.
ELIOT
MAINE
KITTERY
1. Sprague Energy
2. New England Tank & Fuel Storage Corp.
3. Simplex Wire & Cable Co.
4. Public Service Co. of NH (Newington Station)
5. Public Service Co. of NH (Schiller Station)
I-95 HIGHWAY BRIDGE
ME-NH BRIDGE
MEMORIAL BRIDGE
KITTERY PT.
SEAVEY IS.
6. National Gypsum Co.
7. N.H. PORT AUTHORITY
8. Viking Cruises
9. Granite State Minerals
10. Heritage Cruises
11. Portsmouth Navigation Co.
12. State Fish Pier
13. Normandeau Assoc. Inc.
NEW HAMPSHIRE
NEW CASTLE IS.
PORTSMOUTH

Exhibit II-1

PORT AUTHORITY CARGO TONNAGE

(short tons)

Cargo	1978	1979	1980	1981	1982	1983	1984
Scrap metal	84,899	127,091	171,850	146,107	151,427	145,829	187,022
Containers	-	-	-	12,992	14,595	24,305	7,793
Other	2,626	15,708	10,969	55,864	16,420	16,826	N.A.
Total	87,525	142,799	182,819	214,863	182,442	186,960	194,815

N.A. = Not available.

Source: Port Authority and TBS.

Exhibit II-2

NEW HAMPSHIRE STATE PORT AUTHORITY
REVENUE AND EXPENSES FY 1978-1984

(current dollars)

	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984
REVENUE:							
Terminal	$75,000	$100,708	$100,000	$100,000	$100,000	$150,000	$189,572
Other Rents	14,000	15,000	15,000	23,786	32,777	30,467	30,571
Moorings	600	12,734	17,130	16,880	16,055	42,540	59,190
Totals	$89,600	$128,442	$132,130	$140,666	$148,832	$223,007	$279,333
EXPENSES:							
Operating Budget	$26,604	$17,000	$54,986	$60,064	$61,077	$63,707	$67,215
Payment in lieu of taxes	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Debt service (interest)	14,000	97,500	91,625	85,750	79,875	74,000	68,125
Totals	$70,604	$144,500	$176,611	$175,814	$170,952	$167,707	$165,340
GAIN (LOSS)	$18,996	$(16,058)	$(44,481)	$(35,148)	$(22,120)	$55,300	$113,993

Source: New Hampshire State Port Authority.

III. PREPARATION AND SELECTION OF DEVELOPMENT OPTIONS

INTRODUCTION

- The objective of the Task II analysis was to prepare six or more development options for the PPR. From this list of potential options, the Advisory Committee was to select three for detailed evaluation.

- The options prepared by the consultants were based on the Task I: Assessment report and input from interviews conducted by the consultants.

- Economic information relating to the costs and benefits of various options represents order of magnitude estimates based on data compiled from existing studies, preliminary engineering estimates developed by the consultants, and estimates of the potential market demand for each activity associated with a development option. The benefit data was intended to provide the Advisory Committee with an indication of the potential benefits to be realized rather than a definitive statement of existing market demand.

PREPARATION OF DEVELOPMENT OPTIONS

- The consultants prepared 13 development options for consideration by the Advisory Committee. The options and their estimated impacts are contained in Exhibits III-1 through III-9.

PREPARATION OF DEVELOPMENT OPTIONS (continued)

- The Advisory Committee added three options to the consultants' list. The additional options included preparation of a marketing plan for the Port Authority Board, expansion of the existing State Fish Pier, and creation of a two-acre mixed retail and residential development. Because these options were presented by members of the Advisory Committee at the Task II review meeting, costs, benefits, and impacts were not developed.

- Developments of estimated costs in most instances required the selection of a specific site--the State Pier, for example. However, since most options could occur at one or more existing sites, the Committee was not constrained by the consultants' site selection.

SELECTION OF OPTIONS

- The consultants presented the results of their Task II: Preparation of Development Options to the Advisory Committee. Following a detailed discussion of each option, the Advisory Committee selected the three options for which detailed evaluations were to be conducted.

- In selecting the three options, each member of the Committee rated, in order of preference, the three options he or she desired to see pursued.

SELECTION OF OPTIONS (continued)

- The three options selected by the Advisory Committee, in ranked order, were:

  --1. Create a dredge spoil containment area at the State Pier.

  --2. Sell the Port Authority (sell the State Pier and terminate the Port Authority Board).

  --3. Construct a second berth with a Roll-On/Roll-Off (Ro/Ro) capability at the existing State Pier.

- Following the selection of these three options, the Advisory Committee and the consultants met again to more clearly define the options to be evaluated. As a result of those discussions, the first and second options were amended as follows:

  --Containment Area: expanded to include the use of land-sourced fill as an option to using dredge spoil

  --Sell the Port Authority: expanded to evaluate the three options the State has for managing the State Pier facility, i.e., lease to a terminal operator (status quo), operate the facility, or sell the facility

- The evaluation of the selected options are presented in Chapter IV.

Exhibit III-1

TASK II: DEVELOPMENT OPTIONS

COMMERCIAL MARINE

Development Options	Costs	Benefits	Impacts			Engineering Considerations
	Public/Private	Public/Private	Environmental	Socioeconomic	Management	
1. Create a dredge spoil containment area at State Pier	$4,000,000-$6,000,000[a](P)	$0[b](P)	Typical impacts of near-shore marine construction[c] Displacement of environmental wetlands	Provides substantial acreage for development	State directly or through a lessee Requires negotiation with terminal operator	Access to Market Street and to existing State Pier facility Alternative uses
2. Create containment area, including a 700-foot multi-purpose berth	$7,000,000-$8,000,000[a](P)	$10[b](P)	Typical impacts of near-shore marine construction[c] Displacement of environmental wetlands	Provides substantial acreage for development	State directly or through a lessee Requires negotiation with terminal operator	Access to Market Street and to existing State Pier facility Alternative uses

P = Public.

[a]Cost depends on type of construction and intended use.
[b]No benefits pending development of the containment area for one or more water dependent uses. An alternative benefit of the containment area would be its sale value, i.e., an estimated 12 acres of land @ $300,000 to $1,000,000 per acre, depending on the use for which it was sold.
[c]Temporary increase in turbidity of water, disruption of benthic organisms, pile driving noises, etc.

Source: TBS.

Exhibit III-2

TASK II: DEVELOPMENT OPTIONS

COMMERCIAL MARINE

Development Options	Costs	Benefits	Impacts			Engineering Considerations
	Public/Private	Public/Private	Environmental	Socioeconomic	Management	
3. Add Ro/Ro capability at existing State Pier	$2,800,000[a](P)	$22,000[b](P)-$36,400[c](P)	Typical impacts of near-shore marine construction Increased truck traffic on Market Street	Potential increase in ocean services and traffic to NH	State: Directly or through a lessee Negotiation with terminal operator	Location of alignment alternatives Construction alternatives Accommodate stern and side ramp vessels

P = Public.

[a]Includes pile supported deck with access bridge to land, 44,840 square feet at $62.50 per square foot.
[b]Minimum revenue realized from tourboat lease of one-acre parcel at $0.50/square foot, assuming no Ro/Ro service is attracted to Portsmouth.
[c]Potential dockage/wharfage revenues to Port Authority if a weekly Ro/Ro service loading/discharging 60 trailers per week were attracted to Portsmouth. The market potential for such service has not been determined.

Source: TBS.

Exhibit III-3

TASK II: DEVELOPMENT OPTIONS

COMMERCIAL MARINE

Development Options	Costs	Benefits	Impacts			Engineering Considerations
	Public/Private	Public/Private	Environmental	Socioeconomic	Management	
4. Construct second berth at State Pier facility	$8,600,000[a](P)	$25,000[b](P)	Typical impacts of near-shore marine construction Displacement of environmental habitats Dredging, increased truck traffic on Market Street	Potential increase in ocean services and traffic to NH	State: Directly or through a lessee Requires negotiation with terminal operator	Location of alignment alternatives Construction alternatives
5. Construct second berth, including Ro/Ro capability, at State Pier facility	$10,500,000[a](P)	$22,000[b](P)-$36,400[c](P)	Typical impacts of near-shore marine construction Displacement of environmental habitats Dredging, increased truck traffic on Market Street	Potential increase in ocean services and traffic to NH	State: Directly or through a lessee Requires negotiation with terminal operator	Location of alignment alternatives Construction alternatives

P = Public.

[a]Assumes 600-foot berth at $14,330/lineal foot including provision for some backup land. Addition of Ro/Ro capability adds an estimated $1.9 million to cost.
[b]Minimum revenue realized from tourboat lease of one-acre parcel at $0.50/square foot and $3,000 in dockage and wharfage fees from four calls by a coastal cruise ship.
[c]Potential dockage/wharfage revenues to Port Authority if a weekly Ro/Ro service loading/discharging 60 trailers per week was attracted to Portsmouth. The market potential for such service has not been determined.

Source: TBS.

Exhibit III-4

TASK II: DEVELOPMENT OPTIONS

MARINE COMMERCIAL

Development Options	Costs	Benefits	Impacts			Engineering Considerations
	Public/Private	Public/Private	Environmental	Socioeconomic	Management	
6. Sale of State Pier facility	No direct expenditures required	$3,600,000-$12,000,000[a](P)	Dependent on use	Loss of international gateway for NH commerce Reduction in state controlled waterfront property	Requires legislative action Requires agreement of terminal operator prior to 1992	None

P = Public.

[a]Sale of an estimated 12 acres at $300,000 to $1,000,000 per acre, depending on the use for which it was sold.

Source: IBS.

Exhibit III-5

TASK II: DEVELOPMENT OPTIONS

COMMERCIAL MARINE--NON CARGO RELATED

Development Option	Costs	Benefits	Impacts			Engineering Consideration
	Public/Private	Public/Private	Environmental	Socioeconomic	Management	
7. Provide for combined party boat and lobster boat facility at Pierce Island	$330,000[a] (P)	$108,000[b] (R) $32,370[c] (P)	Typical impacts of near-shore marine construction Increased public/pedestrian traffic and parking on Pierce Island	Increase waterborne recreational activity Increase commercial fishing activity Competition with private facilities	State: Directly or via lessee	None

R = Private.
P = Public.

[a] 100' x 40' dock @ $50/ft^2 berth; dredging of 3,000 cubic yards @ $20/yard; dockside support facilities @ $70,000.
[b] Gross revenues to private party boat operator from 30 participants, two trips per day, $15 per person, and 120 days.
[c] Amortization of $330,000 over 20 years at 7.5 percent interest. Revenues from lobstering, which would most likely be based on a percentage of the ad valorem value of the landed catch, are not included.

Exhibit III-6

TASK II: DEVELOPMENT OPTIONS

COMMERCIAL MARINE--NON CARGO

Development Option	Costs	Benefits/Year	Impacts			Engineering Consideration
	Public/Private	Public/Private	Environmental	Socioeconomic	Management	
8. Provide for additional tour boat activity at State Pier	$650,000[a](P)	$142,500[c](R) $22,000[b](P)	Typical impacts of near-shore marine construction Increased vechile and pedestrian traffic Parking for cars	Economic impact of passenger expenditures on local economy	State: Directly or through lessee Potential conflict with construction of second berth	None
9. Provide for combination cruise/tour boat activity	$1,360,000[d](P)	$142,500[c](R) $25,000[e](P)	Same as above	Same as above	Same as above	Same as above

P = Rublic.
R = Private.

[a]300-lineal-foot bulkhead @ $1,900/lineal foot; dredging 3,000 cubic yards @ $20/cubic yard; $20,000 contingencies.
[b]Lease revenues from one acre.
[c]Annual gross revenue projections based on 7,500 passengers per year @ $19 per passenger.
[d]500-lineal-foot bulkhead @ $2,300/lineal foot; dredging 8,000 cubic yards @ $20/cubic yard; $50,000 contingencies.
[e]Same as footnote b, plus $3,000 in dockage/wharfage fees from four calls per annum by coastal cruise ship. The market potential for such service has not been determined.

Note: These options are in addition to Viking Cruises' Phase I development of Barker Wharf.

Source: IBS.

Exhibit III-7

TASK II: DEVELOPMENT OPTIONS

RECREATIONAL BOATING

Development Option	Costs	Benefits	Impacts			Engineering Consideration
	Public/Private	Public/Private	Environmental	Socioeconomic	Management	
10. Expand Pierce Island boat ramp facility (30' x 40' addition and parking for 24 cars and trailers)	$50,000[a](P)	$3,600/yr[b](P) (public use) $4,000/yr[c](P) (private use)	Oil spills Increased automobile traffic to and from Pierce Island Increased engine noise	Increased water access for recreational use	City	None

P = Public.
R = Private.

[a]Includes clearing, grabbing, fill; parking lot grading; driveway/parking paving.
[b]Public use of ramp $2/boat x 120 days @ 50% utilization for 30 boats.
[c]Marina owner use of public ramp $5/boat x 400 boats/year, two times/yeasr.

Source: TBS.

Exhibit III-8

TASK II: DEVELOPMENT OPTIONS

RECREATIONAL BOATING

Development Option	Costs	Benefits	Impacts			Engineering Consideration
	Public/Private	Public/Private	Environmental	Socioeconomic	Management	
11. Provide for recreational boating activities at Pierce Island: 150-slip marina with support facilities	$1,590,000[a](P)	$115,000[b](R) $156,000[c](P)	Typical impacts of near-shore marine construction Additional river traffic Risk of oil spills	Increase in retail sales to community and marine businesses Significant increases in traffic and parking to/from Pierce Island	State: Through lessee	None

R = Private.
P = Public.

[a]150 slips @ estimated $7,000/slip; $280,000 for shoreside facilities; $260,000 for breakwaters and beach protection.
[b]Gross revenues of $91,000 from 140 slips @ $650 each for seasonal rental and 10 transient ships for $24,000.
[c]Amortization of State's investment based on 20 years at 7.5 percent per year.

Source: TBS.

Exhibit III-9

TASK II: DEVELOPMENT OPTIONS

RECREATIONAL

Development Options	Costs	Benefits	Impacts			Engineering Consideration
	Public/Private	Public/Private	Environmental	Socioeconomic	Management	
12. Create public walkway	$900,000[a](P)	Increased revenue to local merchants	Typical impacts of near-shore marine construction[e] Increased pedestrian traffic	Increased waterfront access by public	City	None
13. Create public walkway with marina	$1,250,000[b](P)	$24,000/yr[c](seasonal) P/R $18,000/yr[d](transient) P/R	Provide pumpout station Risk of oil spills Engine noise	Increased waterfront access by public for recreational use Parking for 40 cars	City or State: Directly or through lessee	None

P = Public.
R = Private.

[a] @ $50/ft^2 x 600' x 30'.
[b] $7,000/slip including sewer/water x 50 slips in addition to cost of walkway per footnote a.
[c] 40 slips @ $600/season.
[d] 10 transient slips, 50% occupancy, $30/night, 120 days.
[e] Temporary increased turbidity, disruption of benthic organisms, pile driving noise, etc.

Source: TBS.

IV. EVALUATION OF SELECTED OPTIONS

INTRODUCTION

- Following the Advisory Committee's selection of the three development options for further study, the consultants conducted a detailed evaluation of each option. The evaluations included assessments of the market potential and the engineering, environmental, legislative, financial, and managerial considerations associated with each option.

- Upon completion of the detailed evaluations, the consultants presented their findings to the Advisory Committee. Based on the presentation, the Advisory Committee selected two options for which implementation plans were then prepared.

- This chapter summarizes the detailed evaluation of the selected options.

DETAILED EVALUATIONS

Market Potential

- Creation of the 11.5-acre containment site would eliminate the major physical constraints at the present State Pier facility. The containment site would provide three additional berths capable of accommodating the largest oceangoing vessels able to transit the Piscataqua River, coastal cruise ships, visiting naval and tall ships, and tour boats, and provide berthing for fishing vessels. It would also double the acreage of the State Pier facility.

- The containment area thus provides the greatest potential for expanding and diversifying activities at the State Pier.

- An assessment of the revenue generating potential of the expanded State Pier facility, based on construction of the containment area, is presented in Exhibit IV-1. The activities and their revenue generating potential are based on data compiled by the consultants through research and interviews.

- The data show that an expanded facility has the potential to generate approximately $1.0 million in revenue for the State per year at today's rates. The data exclude the impact of future escalations that might be included in property leases. This is in contrast to revenues of $0.3 million in FY1984.

- The exhibit also shows that to realize this potential, the facility would have to diversify its revenue base. Cargo activities alone do not provide sufficient contribution to cover the capital investment. Conversely, leases such as those to Viking Cruises and to industrial users would provide significant contribution.

Market Potential (continued)

- Addition of a second berth with a Ro/Ro handling capability alleviates the present berth constraint but provides little additional terminal capacity to accommodate expanding existing activities or diversifying into new activities. Under this option, the additional bulk cargo, marina, commercial fishing, and industrial lease activities displayed in Exhibit IV-1 could not be accommodated. Thus, the potential revenue generating capacity of this option is approximately $0.4 million.

- Although the Port Authority's staff has occasionally received inquiries regarding the State Pier's Ro/Ro handling capabilities, the consultants' analysis identified no specific opportunities at the present time, and therefore no provision was made for including such activities in the revenue analysis.

- Revenue generating potential for the management option varies depending on which of the three management arrangements is selected. If the facility were sold, the sale price would range from approximately $3.6 million to $12.0 million, depending on the intended use. The $3.6 million figure assumes the State Pier would continue to be used as an industrial, water-dependent facility, while the $12.0 million estimate assumes a combined retail-residential use.

- Under the operate option, the State would receive revenues in excess of the $1.0 million displayed in Exhibit IV-1 since the State would be providing additional services, i.e., vessel loading/unloading, and terminal services. How much additional revenue would be a function of competitive rate structures in Portland and Boston.

- The revenue potential under the lease option is represented by the data presented in Exhibit IV-1.

Engineering

- Neither the containment area nor the second berth options poses any significant engineering problems.

- Preliminary engineering work, initiated under contract to Kimball Chase, has indicated the project is feasible from an engineering perspective. The feasibility of adding a second berth with a Ro/Ro capability was positively determined in a 1984 study conducted by the engineering firm of C. E. McGuire.[1]

- Estimated construction costs for the containment area are shown in the following table.

[1] Preliminary Concepts Phase Engineering Report for the Proposed Port Authority New Wharf, C. E. McGuire, 1984.

Engineering (continued)

Table IV-1

COST OF CONSTRUCTION AND IMPROVEMENTS OF NEW TERMINAL
IN CONTAINMENT AREAS NORTH OF MAINE-NEW HAMPSHIRE INTERSTATE BRIDGE

(Option 1)

Construction Cost	Site No.1	Site No. 2	Other	Total
Containment Site	$ 8,450,000	$1,650,000		$10,100,000
Bridge			$400,000	400,000
Spoil Transport & Placement	510,000	153,000		663,000
Total	$ 8,960,000	$1,803,000	$400,000	$11,163,000
Improvements Cost				
Dredging	$ 470,000	$ 220,000		$ 690,000
Site work (utilities, security, surfacing, drainage)	900,000	140,000		1,040,000
Apron, fenders, etc.	1,340,000	220,000		1,560,000
Transit shed	1,000,000			1,000,000
Total	$ 3,710,000	$ 580,000		$ 4,290,000
Total Cost	$12,670,000	$2,383,000	$400,000	$15,453,000*

*Based on use of dredge spoil. If land-sourced fill is used, the total estimated cost is $17.3 million, an increase of $1.9 million due to the higher cost of land-sourced fill.

Source: TBS.

Engineering (continued)

- The preliminary estimate for constructing the containment area, using dredge spoil as fill, is $15.5 million dollars. Annual amortization costs total $1.5 million, based on 20-year general obligation bonds and an interest rate of 7.5 percent.

- If the containment structure cannot be completed in time to use spoil dredged from the Piscataqua River as fill, the option exists to use land-sourced fill. Use of land-sourced fill would increase the cost of the project by $1.9 million to $17.3 million, due to the higher price and transportation costs associated with land-sourced fill.

- Incremental to the costs shown in Table IV-1 would be the annual capital amortization costs associated with the existing facility ($0.1 million) and amortization of capital improvements ($0.3 million) associated with the non-cargo opportunities displayed in Exhibit IV-1.

- The total capital outlays for the containment area option are $15.7 million if dredge spoil is used as fill and $17.6 million if land-sourced fill is used.

- The estimated capital costs for adding a second berth with a Ro/Ro capability are $11.0 million (see Table IV-2). On an annual basis, capital amortization costs would total $1.1 million (20-year general obligation bonds and a 7.5 percent interest rate).

Engineering (continued)

- There are no engineering considerations associated with any of the three management options. However, if the State chose to operate the facility, the State would need to invest approximately $2.0 million in cargo-handling equipment (mobile cranes, forklift trucks, etc.)

Table IV-2

COST OF CONSTRUCTION AND IMPROVEMENTS
OF SECOND BERTH AT EXISTING STATE PIER

(Option 2)

Construction Cost	
Foundation	$2,075,000
Curtain wall	2,810,000
Superstructure	3,105,000
Earthwork	1,500,000
Total	$9,490,000
Improvements Cost	
Dredging	$ 535,000
Fender system, etc.	350,000
Utilities	250,000
Miscellaneous site work	375,000
Total	$1,510,000
Total Cost	$11,000,000

Source: TBS

Environmental

- Discussions with the Army Corps of Engineers' regulatory branch, the branch responsible for issuing federal permits, indicated that the containment area permitting process could be lengthy for two reasons. Those reasons are (1) the possible existence of wildlife species in the proposed containment site and (2) the magnitude of the project (11.5 acres of new land) may require the filing of an Environmental Impact Statement (EIS).

- Kimball Chase's containment area contract with the State includes the development and presentation of all research, analysis, and findings to support the permitting process. The actual permit application process would be handled by the Port Authority Board and its staff.

- Discussions with members of the Advisory Committee, Port Authority staff, and Kimball Chase have indicated that the State and local permitting processes are expected to require less time than the federal process.

- The permitting process is critical to the timing of the completion and therefore the ultimate cost of the containment area. If the process is lengthy, the containment area may not be able to be completed in time to use the dredge spoil from the Piscataqua River dredging project. If this occurs land-sourced fill will be required, which would increase construction costs by $1.9 million, or 12 percent.

- The permitting process for adding the second berth would be the same as that for the containment area. However, a formal EIS would in all likelihood not be required. Consequently, the process would be shorter and less complex.

Environmental (continued)

- The only potential environmental issue associated with the management options would be the environmental impact of the sale of the State Pier on the Portsmouth community. Responsibility for addressing this issue would be a matter to be negotiated between the State and the City of Portsmouth.

Legislative

- The legislative process encompasses the appropriation of money to fund market studies, preliminary design and permitting, final design, preparation of specifications and bids, and construction of both the containment structure and the second berth.

- The present Kimball Chase contract includes both preliminary design and permitting. The preliminary design for the second berth is contained in the 1984 C. E. McGuire report,[2] although it may require some updating.

- Legislative action would be required to amend the Port Authority's enabling legislation if the Port Authority Board were to operate the facility. Legislative action to repeal the enabling legislation would be required if the State were to sell the State Pier facility and terminate the Port Authority Board.

- Continuance of the present leasing policy requires no legislative action.

[2]Preliminary Concepts Phase Engineering Report for the Proposed Port Authority New Wharf, C. E. McGuire, 1984.

Financial

- Both the containment area and second berth projects would be funded through the issuance of general obligation bonds by the State Treasury. Currently these bonds are issued for a 20-year period at rates averaging 7.5 percent.

Management

- Before proceeding with construction of either the containment area or second berth projects, the Port Authority Board would first have to reach an agreement with the John T. Clark Company regarding interim (through 1992) jurisdiction of the expanded facility i.e., the new facilities plus the existing facility. The present lease, which ends in 1992, grants Clark exclusive use of the State Pier facility in return for payment of a base rent and a percentage of dockage and wharfage fees.

- The Port Authority Board and Clark would need to either amend the present lease to clearly define who would have operating and pricing rights over which areas of the expanded facility until 1992, or negotiate a new lease. Once these issues are addressed, construction can proceed.

- Depending on the resolution of these issues, the Port Authority Board will have the option to lease, to Clark or another operator, part or all of the facility, or to operate it.

- In the long-term, i.e., after the present lease expires in 1992, the Port Authority Board has three options for managing the State Pier facility. It can continue to lease it to a terminal operator, operate it, or sell it.

- An assessment of benefits and risks of each option is shown in Table IV-3.

Management (continued)

Table IV-3

POTENTIAL BENEFITS AND RISKS OF ALTERNATIVE MANAGEMENT OPTIONS

	Lease	Operate	Sell
Benefits	Increased revenue Minimum financial exposure	Maximum revenue generating potential Increased control over pricing, marketing, operating	One-time capital gain
Risks	Lack of control Potential loss of business (Scrap, Hapag-Lloyd)	Significant capital investment Additional staff required Maximum financial exposure Potential loss of business (Scrap, Hapag-Lloyd)	Potential lost revenue to users (Clark, Trucking Companies) Loss of jobs Loss of revenues to local business

Source: TBS.

Summary

- The containment area option provides the greatest opportunity for expanding and diversifying activities and revenues at the State Pier.

- It also has the least downside risk, since all or most of the State's investment could be recovered through sale of the property. The degree to which the State could recover its investment would be determined by the sale price, which in turn would be a function of the intended use of the property.

- Each management option evaluated by the consultants is capable of being pursued independently of the capital development options. The three management options can also be pursued simultaneously to determine which option provides the greatest benefit to the PPR and the State. However, none of the management options, as they relate to managing the total facility, can be implemented prior to the expiration of the existing lease in 1992.

- Based on the consultants' detailed evaluation, the Advisory Committee directed the consultants to prepare implementation plans for the containment area and the management options. The plans are presented in Chapter V.

Exhibit IV-1

REVENUE POTENTIAL FOR AN EXPANDED STATE PIER FACILITY

1986 Basis

Activity	Revenue Basis	Potential Demand	Annual Revenues
Cargo			
Scrap metal	$150,000 base revenue 80% of dockage/wharfage in excess of $150,000	300,000 tons	$150,000[a] 30,720
Containers	$7/20-ft. container $14/40-ft. container	100 20-ft. containers 900 40-ft. containers	560[b] 10,080[b]
Bulk cargo Additional	$130,000 base lease $0.25/ton dockage		132,000[c] 62,500
Miscellaneous revenues			10,000[d]
Subtotal Cargo			$395,860
Non-Cargo			
Commercial fishing	$650/vessel	7 vessels	$ 4,550
Viking Cruises	$27,500 base revenue $0.75/passenger	- 100,000 passengers	27,500 75,000
Additional river tour boat	• (1/2 basis for Viking Cruises)	$13,750 base rent $.75 per passenger	13,750 37,500
Coastal cruise vessels	• Docking facility for 300-foot vessel	(300-foot x $1.50 per foot x 10 weekly calls)	4,500
Marina and facilities for visiting ships (naval and tall ships)	• Docking facility for 10 recreational boats	(10 boats x 30 feet x $30 per foot)	9,000
	• 5 transient boats	(6 weeks x 5 boats x 30 feet x $1.50 per foot)	1,350
	• Visiting ship/tall ship	(200-foot vessel x $1.50 per foot x 5 calls)	1,500
Industrial and commercial leases	• Eight acres industrial/commercial land (existing site, unimproved)	$43,650 per acre ($1.00 per square foot)	349,200
	• Two acres industrial use (site #2--containment area)	$87,300 per acre ($2.00 per square foot)	174,600
Subtotal non-cargo			$698,450
Grand Total			$1,094,310

[a]Based on current Port Authority lease with John T. Clark.
[b]80 percent of dockage and wharfage fees from Yankee Clipper.
[c]Based on estimated annual per acre amortization cost of $1.5 million and 11.5 acres.
[d]Dockage from miscellaneous vessel calls and fees.

Note: Based on Option 1: Creation of the 11.5-acre containment site.

Source: TBS.

V. IMPLEMENTATION PLANS

CONTAINMENT AREA

- The Port Authority Board and its staff should take the following steps to implement Option 1: Creation of a Containment Area:

  --1) Petition the Governor for immediate release of funds appropriated for the Kimball Chase preliminary design study. This action will complete design of the containment structure and permitting process.

  --2) Enlist the support of the Department of Public Works, the Department of Resources and Economic Development, and local industry to lobby the coastal delegation to introduce fast track capital appropriations legislation to contingently fund final design, preparation of bids, and construction of the containment area, pending the results of a comprehensive market study by the Port Authority Board and its staff.

  --3) Undertake a comprehensive market study for the State Pier facility. Specific areas of focus should include:

    - Bulk cargoes
    - Tour boats
    - Cruise vessels
    - Industrial lessees
    - New Hampshire State Liquor Commission

CONTAINMENT AREA (continued)

The study should identify market opportunities that both diversify the revenue base of the Port Authority and contribute to the amortization of the expanded facility, preferably through mid- to long-term leases.

The market study can be undertaken by either the Port Authority staff or a consultant. Given the pending turnover in the Port Authority staff, the latter option may be more feasible. However, before a consultant could be hired, funds would need to be procured. Because the marketing study will be a major determinant of the project's feasibility, it should be completed as soon as possible and no later than completion of the preliminary design and permitting analyses. Therefore, funding should be sought from the Coastal Zone Management Program-306 Funds. The alternative option is the fast track capital appropriations process in the State legislature, which would greatly extend the time to complete the market study.

--4) Initiate discussions with the John T. Clark Company in regards to managing the expanded facility. The discussions could be integrated with the upcoming negotiations on amending the payment terms of the existing lease.

--5) Upon completion of the market study, conduct a comprehensive cost-benefit analysis of the containment project--assuming negotiations with the Clark Company are proceeding favorably. The study should determine the total economic benefits--direct, indirect, and induced--in relation to total fixed and variable cost. Based on this analysis, a recommendation should be made either to proceed or to terminate the containment project. The decision to proceed should be based, to the extent it is possible, on commitments (i.e., leases), from users.

CONTAINMENT AREA (continued)

--6) If the Port Authority Board decides and the Executive Branch agrees to proceed with the containment area, the State should immediately release contingently appropriated funds to fund final design and specifications, bidding, and construction.

--7) Immediately upon deciding to proceed with construction, seek as many commitments as possible from the users targeted during the market study.

--8) Investigate interim options for managing the facility--principally to lease or operate it. The steps to be taken in investigating these options are outlined below in the Management Implementation Plan.

MANAGEMENT IMPLEMENTATION PLAN

- Beginning in 1989, three years before the Clark lease expires, the Port Authority Board should undertake a comprehensive analysis of the costs and benefits that would accrue to the State and local community under each of the three management options.

- Specific steps to be taken in exploring each option are outlined in the following sections:

Lease:

1) The Port Authority Board should actively market the State Pier facility to a number of stevedore companies, including John T. Clark. This effort should focus on soliciting their interest and discussing alternative lease terms and conditions.

MANAGEMENT IMPLEMENTATION PLAN (continued)

2) The Port Authority Board should review existing terminal leases in other New England ports with particular emphasis on Portland, Boston, Providence, New London, and New Haven. The Board should also selectively review leases in other major ports. This review would be meant to identify alternative methods for maximizing cargo throughput, employment, and financial return to the State and local community.

3) One year prior to expiration of the lease, the Port Authority Board should have the State Pier facility appraised by two or three firms experienced in the appraisal of marine terminal facilities. The purpose of the appraisals would be the determination of its market value--both from a revenue producing and sales perspective. Also during this period, the Port Authority Board should prepare a bid proposal to lease the facility, enter detailed negotiations with qualified firms, conduct reference checks, examine each firm's commitments in other competing ports, and conduct pro forma financial analyses of competing bids to determine which bid maximizes cargo throughput and yields the highest economic return.

Operate:

1) Two years prior to the expiration of the Clark lease, the Port Authority Board should conduct a detailed feasibility analysis of operating the facility. The analysis should identify capital investment, manpower, and legislative requirements.

MANAGEMENT IMPLEMENTATION PLAN (continued)

2) Simultaneously, the Port Authority Board should initiate contact with the major users of the Port to explore both their service requirements and costs in using Portsmouth. The purpose of these discussions would be to determine the range of services and rates that the Port Authority Board must provide in order to retain existing port users.

3) During this period, the Port Authority Board should also explore the services and costs at competing ports for the purpose of assessing the ability of the Board to provide competitive service.

4) The Port Authority Board should develop pro forma financial analyses to determine the expected financial return to the State from operating the facility.

Sell:

1) Property appraisal--this step would coincide with Step 3 of the lease option.

2) The Port Authority Board, in conjunction with the Governor's office and the City of Portsmouth, should establish criteria which would govern the future use of the facility after its sale.

3) Coincidental to soliciting bids to operate the facility, the Port Authority Board should explore firms' interests in acquiring the facility, within the context of the use criteria established above.

MANAGEMENT IMPLEMENTATION PLAN (continued)

- Having completed the above steps, the Port Authority Board should conduct a pro forma cost-benefit analysis of each management option. The study should focus on quantifying the net direct and indirect economic benefits of each alternative to determine which alternative yields the greatest benefit to the State and local community.

- Specific issues to be addressed would include:

  --Revenue: what is the impact of each option on total revenues to port industries and users, the State, and the local community?

  --Employment: what is the impact on employment levels in the State and the local community?

  --Income: what is the impact on income to the State and local community?

VI. RECOMMENDATIONS

DEVELOPMENT

- The consultants recommend that the State pursue, on a preliminary basis, the creation of the containment area. Specific steps to be taken, as outlined in the implementation plan are:

  1) Proceed with the preliminary engineering and permitting analyses (Kimball Chase) that were suspended pending completion of this study.

  2) Initiate a market study to determine the potential for recovering the State's capital investment in the containment area. In order to expedite completion of the study, the State should seek funding from the Coastal Zone Management Program-306 Funds. If such funds are not available, fast track capital appropriations should be sought.

  3) Initiate negotiations with the John T. Clark Company regarding interim (until 1992) management of the expanded facility.

  4) Coincidental to the Clark negotiations, begin to analyze the costs and benefits of leasing versus managing the facility. This recommendation assumes Clark does not exercise the option to lease and operate the entire expanded facility.

- Upon completion of the market study, the Port Authority Board and its staff should determine the financial feasibility of the containment project and recommend whether to proceed or discontinue pursuit of this option.

Marketing

- As part of the marketing study, the following actions should be taken:

  1) The customer record card file should be updated using importer and exporter directories published by the State Office of Economic Development. Having updated the files, a survey questionnaire should be developed and mailed to validate which companies identified are, in fact, importing or exporting, where they ship to/from, which ports they use, and the criteria they use in routing their cargoes.

  2) Each company that imports or exports should be contacted to ensure they are receiving satisfactory service if they use Portsmouth, or to encourage them to use Portsmouth if they are using an alternative port.

  3) An effort designed to attract additional bulk cargo opportunities to the port should be initiated--particularly in anticipation of the potential construction of the containment area. The effort should focus on bulk cargoes currently moving through Boston, and identify industries within the states of Maine, Vermont, and New Hampshire that offer import or export potential.

  4) The Port Authority Board, in conjunction with Viking Cruises, should contact those cruise lines that have expressed an interest in calling at Portsmouth. These contacts should identify the services and facilities these lines may require and investigate the potential for providing such facilities.

  5) Discussions with Portsmouth Cruises should be initiated regarding locating their operation at the State Pier facility.

Marketing (continued)

6) Discussions with the Portsmouth Co-op should be initiated regarding the need for supplemental facilities that could be provided at the containment site.

7) The Port Authority Board, in conjunction with the City of Portsmouth and the Portsmouth Chamber of Commerce, should explore the potential for attracting industrial lessees to the State Pier facility in anticipation of the containment area being built. While the emphasis of this effort should be on water-dependent and water-related activities, other potential users should not be excluded.